The Great Atlantic & Pacific Tea Company, Inc.

1969 ANNUAL REPORT FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1970

DIRECTORS

MELVIN W. ALLDREDGE
ANTHONY A. BLISS
R. MANNING BROWN, JR.
FRED E. CAMPBELL
ROY C. COLLINS
WILLIAM CORBUS
DONALD KIRK DAVID
HARRY C. GILLESPIE
WILLIAM J. KANE
JAMES S. KROH
EDWARD A. LePAGE
GWILYM A. PRICE*
JOHN M. SCHIFF
PERCY A. SMITH
NOBLE F. WHITTAKER
J. ALBERT ZEIGLER

Director Emeritus
OLIVER C. ADAMS

*Mr. Price resigned March 12, 1970. WILLIAM W. SCRANTON elected April 9 to fill vacancy.

OFFICERS

MELVIN W. ALLDREDGE
Chairman and Chief Executive Officer

WILLIAM J. KANE
President

WILLIAM CORBUS
Executive Vice President

EDWARD A. LePAGE
Executive Vice President

NOBLE F. WHITTAKER
Senior Vice President

J. ALBERT ZEIGLER
Senior Vice President

HARRY C. GILLESPIE
Vice President-Treasurer

JAMES S. KROH
Vice President

ROBERT F. LONGACRE
Vice President

PERCY A. SMITH
Vice President

WILLIAM I. WALSH
Vice President

FRED E. CAMPBELL
Secretary and General Counsel

Executive Offices
420 Lexington Avenue
New York, N. Y. 10017

Transfer Agent
Morgan Guaranty Trust Company of New York
New York, N. Y.

Registrar
First National City Bank
New York, N. Y.

Notice of Annual Meeting
The Annual Meeting of Stockholders will be held on Tuesday, June 16, 1970 at 10 a.m. (E.D.T.) in The Regency Hyatt House 265 Peachtree St., N.E. in Atlanta, Ga.

HIGHLIGHTS IN BRIEF

FOR THE FISCAL YEAR ENDED	Feb. 28, 1970 (53 weeks)	Feb. 22, 1969 (52 weeks)	Feb. 24, 1968 (52 weeks)
Sales	$5,753,692,000	$5,436,325,100	$5,458,823,500
Income before income taxes	105,201,500	90,246,900	101,697,400
United States and foreign income taxes	51,900,000	45,000,000	45,800,000
Net income	53,301,500	45,246,900	55,897,400
Per share*	2.15	1.82	2.25
Per cent of sales	.93%	.83%	1.02%
Cash dividends declared	32,310,600	32,264,800	39,707,100
Per share	1.30	1.30	1.60
Additions to property, equipment and fixtures	63,258,600	61,415,300	63,357,000
Depreciation and amortization	50,464,500	50,648,100	49,856,000
AT YEAR-END			
Working capital	$ 335,835,600	$ 317,330,500	$ 310,308,000
Ratio of current assets to current liabilities	2.29	2.32	2.34
Property, equipment and fixtures	344,760,100	336,607,400	326,471,200
Stockholders' equity	662,321,400	640,492,200	627,365,700
Per share	26.63	25.80	25.28
Number of stores	4,575	4,713	4,724
Approximate number of stockholders	52,700	53,400	52,300

*Based on the average number of shares outstanding each year.

The Great Atlantic & Pacific Tea Company, Inc.

1969 ANNUAL REPORT FOR THE FISCAL YEAR ENDED FEBRUARY 28, 1970

Message To Stockholders:

We are pleased to report to the stockholders that the net earnings of the Company for the 53-week fiscal year ended last February 28 were $53,301,500, or $2.15 per share, compared with the previous year's $45,246,900, or $1.82 per share.

At the same time, sales were a record $5.754 billion, up 5.8 per cent from the 1968 total of $5.436 billion (up 3.8 per cent on a comparable 52-week basis) and 5.1 per cent above the previous record of $5.475 billion in fiscal 1966.

This improved fiscal performance was recorded with a reduced number of retail outlets—4,575 at year's end compared with 4,713 a year earlier. This reduction was part of our planned strategy of closing or otherwise disposing of stores that failed to meet the Company's profit standards, and opening of larger supermarkets to replace smaller units.

High priority has been given during the past year to the development and utilization of manpower. The selection, training and effective deployment of personnel are necessary to A&P's continuing progress in American food retailing.

Our approach to the business has been aggressive, as we promised you it would be in our presentation at the 1969 annual meeting of stockholders. While we've been planning and executing a number of programs designed to improve the over all operation, we have given constant consideration to those that have a direct effect on sales.

Our concern for the public interest was even more pronounced during the past year. Customers were constantly reassured of A&P's determination to hold the line on retail prices as much as possible. Our advertising messages for 1970 will continue to uphold the right of the consumer to expect good quality, fair prices, honest measure and courteous service in all of our stores at all times.

How far and how fast we can go in 1970 will depend to some extent on the national economic situation, including inflation, employment and disposable personal income. Despite these uncertainties, our manpower resources and sound structure give us confidence for the future regardless of the situation. We plan to pursue an aggressive modernization program of larger new stores, enlargements and major remodelings. We will continue to explore all types of diversification compatible with our business.

We pledge our energies to a continuation of a search for greater efficiency in supplying our customers with quality products at the lowest possible prices while providing a proper return to our shareholders.

M. W. Alldredge
CHAIRMAN

H. J. Kane
PRESIDENT

May 14, 1970

A&P's People and Properties

During the 1969 fiscal year, considerable attention was given to structural and personnel development. Both are expected to contribute to future earnings.

In keeping with a management pledge, there were no changes solely for the sake of change. All innovations resulted from careful analysis and professional appraisal of how each part of the operation might be geared to greater efficiency.

Much of the transformation was concerned with personnel advancement, personnel training, physical plant improvement and compatible development.

EXECUTIVE ASSIGNMENTS Much of management's attention during the past year was devoted to the development and deployment of executive personnel. Pictured here are 12 of the men who were promoted to positions of greater administrative responsibility in fiscal 1969.


NOBLE F. WHITTAKER
Senior Vice President
Director


J. ALBERT ZEIGLER
Senior Vice President
Director


ROBERT F. LONGACRE
President, Western Region
Corporate Vice President


WILLIAM I. WALSH
President, Eastern Region
Corporate Vice President


HARRY C. GILLESPIE
Vice President-Treasurer
Director


JOHN F. GISMOND
President, Ann Page


FRED C. KENNEDY
President, Canada


F. A. CORRIGAN
Vice President
General Manager
Boston


R. F. FENNESSEY
Vice President
General Manager
Springfield


L. E. LEESON
Vice President
General Manager
Albany


J. L. MADDEN
Vice President
General Manager
Indianapolis


C. G. McDADE
Vice President
General Manager
Detroit

PERSONNEL ADVANCEMENT

There have been a number of major promotions at the management and mid-management levels that will be of interest to the shareholders.

Named to the new position of senior vice president were J. Albert Zeigler and Noble F. Whittaker. Succeeding Messrs. Zeigler and Whittaker as Western and Eastern Regional presidents, respectively, were Robert F. Longacre and William I. Walsh, two consumer-oriented young career men who have exhibited leadership talents and have demonstrated an ability to assume executive management roles.

Collateral duties at the executive level were assigned to the Company's two executive vice presidents, Edward A. LePage and William Corbus. Mr. LePage was named president of Compass Foods, Inc., a new subsidiary that will be engaged primarily in institutional sales, and Mr. Corbus was given additional responsibility as president of the National Coffee Division. Harry C. Gillespie, corporate treasurer since 1968 and formerly comptroller, was advanced to vice president-treasurer.

Other executive designations at year's end included that of John F. Gismond as president of the Ann Page Division (manufacturing) succeeding Lester T. Davis, retired, and the election of Fred C. Kennedy as president of the Company's Canadian subsidiary, The Great Atlantic and Pacific Tea Co., Ltd., Toronto, succeeding G. N. Provost, who will continue as chairman of the board of that company.

Promotions involving the management responsibility position of vice president-general manager of sales divisions included W. J. Vitulli, Bronx Division (from Springfield, Mass.); R. C. Jordan, Philadelphia Division (from Boston); H. A. Ledford, Cleveland Division (from Albany); R. F. Fennessey, Springfield Division; F. A. Corrigan, Boston Division; L. E. Leeson, Albany Division; C. G. McDade, Detroit Division, and J. L. Madden, Indianapolis Division.

MANAGEMENT DEVELOPMENT

Management knows that talented people with special skills are essential to the success of the business. That is why the development and expansion of management training was given high priority in fiscal 1969.

One of the early aims of the present executive team was to develop executives who could move easily into management in an emergency or through natural attrition. To accomplish this objective an executive training program, "The A&P University", is being established. This program provides a close-up study of each of the major administrative and service operations at Headquarters as related to the divisions.

Candidates for "degrees" are selected from the vast array of talented young people who have demonstrated an ability to grasp the complexities of the business and have shown the enthusiasm and desire that mark business leaders.

Although it only is just becoming operative, the "University" already has provided some training for its first important graduate, a new vice president-general manager for one of the retailing divisions. Candidates are being processed through the system to establish a pool of executive manpower.

Another 1969 personnel development advance was the enlargement and intensification of manager guidance through a workshop program. Manager seminars have been instituted on a company-wide basis and have been enthusiastically received by the local management of the 32 divisions and the store managers who have had an opportunity to participate.

These workshop sessions provide the Company its best opportunity to interpret and implement corporate policy and develop more effective store management capability. At the same time, this two-way communications device furnishes management an opportunity to benefit from the exchange with the managers who are in constant touch with customers.

PHYSICAL PLANT IMPROVEMENTS

New store construction was geared to management's decision to build larger and more efficient retail outlets, thereby reducing the total number of stores by 138.

With the sale of 31 stores in the Los Angeles area that were below profit standards, the

A&P on Color TV Divisional use of television as an advertising medium is increasing. Much wider use by many of the 32 retail divisions is anticipated during the coming year as the result of extensive ad programming by the National Sales Department, another optional service available to all divisions. Scenes from some of the commercials are reproduced here, including A&P's three new mouth wash items and two of the really remarkable food presentations. Like the rest of the ad campaign, all of these commercials stress A&P's continuing interest in providing consumers with superior quality at lower prices.

closing of 206 smaller stores, and the completion of 99 new stores, the total at year's end was 4,575, compared with 4,713 at the close of fiscal 1968.

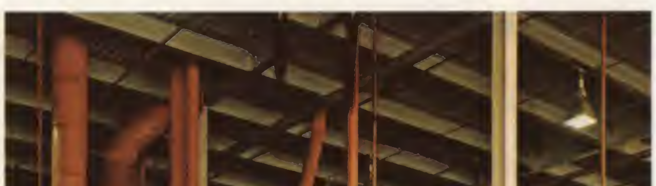
Possibly more significant to over-all performance than the new stores was the major remodeling of 530 stores, many of them being converted into A&P's new food discount venture under the names "A&P A-Mart" and "A&P Discount Foods". While still in an experimental stage, these outlets generally have been well received and are expected to be effectively integrated in the corporate framework. There were 149 such stores at year's end.

To what extent the discount stores will proliferate depends upon local conditions. There is, however, reason to believe that the traditional A&P supermarket will continue to provide the bulk of the Company's products and service in most communities.

Considerable innovation also was evident during 1969 in A&P's manufacturing, processing and distributing facilities. New plants and enlargements added 278,000 square feet of space. Additional construction started during the year will make available another 617,000 square feet of floor space during fiscal 1970.

Among the more significant plant facilities completed last year were a new warehouse for perishables in Toronto, an addition to the National Dairy milk plant in Manitowoc, Wisc., and the new delicatessen manufacturing plant at Florence, N. J., which was described in last year's annual report.

The ambitious construction program started last year for completion in 1970 included a grocery warehouse addition in Atlanta, 72,000 square feet; a new meat and frozen food warehouse in New Orleans, 121,000 square feet; a manufacturing addition to the



Ann Page plant in Terre Haute, Ind., 92,000 square feet; a grocery warehouse addition in Toronto, Ontario, 116,000 square feet; a new fluid milk plant in High Point, N. C., 70,000 square feet, and a new perishable grocery warehouse in Secaucus, N. J. (to serve the metropolitan New York-New Jersey trade area), 30,000 square feet. Two of the foregoing facilities, the warehouse construction in Atlanta and New Orleans, possibly will be in operation by the time this report is distributed. All others will be operative before the end of the year. Another 116,000 square feet of space will be made available early in the year with the completion of renovations at a recently-leased warehouse in Altoona, Pa.

ACQUISITIONS

The Company acquired four operations that already are providing a continuity of supply and service. These were Metcalfe Foods Ltd., in Deseronto, Ontario; Super Market Service Corporation in Scranton, Pa.; Gress Poultry Company in Scranton; and a coffee roasting plant in Landover, Md.

Metcalfe processes consumer packages of frozen vegetables for A&P and bulk packages for sale to other food processors.

Super Market Service is basically a wholesale health and beauty aid operation which will afford A&P experience in this field.

Gress Poultry is supplying more than 1400 A&P supermarkets as well as other industry users with federally inspected, ice-pack fresh poultry in consumer portions.

The modern, automated coffee plant, acquired to replace overtaxed older facilities, assures continuation of premium A&P coffees and production capacity for several new coffee items. With this acquisition, A&P has been able to enter the institutional coffee market.

New Coffee Plant Your Company, one of the largest coffee roasters in the country, expanded its manufacturing capabilities during 1969 through the acquisition of one of the most modern plants in the world. It's located in Landover, Md. Pictured here (from left to right) are part of the two-story-high roasting ovens and the control panel for the highly mechanized equipment that handles the coffee from green bean storage through all stages of processing and bagging to actual shipping. Pictured above (left) is the office and part of the roasting plant building, and (right) the A&P family of truly outstanding coffees that have contributed so much to the Company's reputation for consistent quality and taste within the price range of all American coffee lovers.

Consolidated Balance Sheet

FEBRUARY 28, 1970 AND FEBRUARY 22, 1969

ASSETS

	Feb. 28, 1970	Feb. 22, 1969
CURRENT ASSETS:		
Cash	$ 66,820,436	$ 92,650,123
Short-term investments—at cost (approximate market)	24,286,259	9,321,968
Accounts receivable	31,650,335	24,961,579
Merchandise and supplies—at the lower of average cost or market	456,816,689	417,061,598
Prepaid expenses	16,631,000	13,633,000
Current assets	596,204,719	557,628,268
PROPERTY, EQUIPMENT AND FIXTURES:		
Land, at cost	8,709,637	8,732,842
Buildings, at cost less accumulated depreciation—1970, $13,302,994; 1969, $11,413,402	58,036,364	52,501,481
Equipment, at cost less accumulated depreciation—1970, $191,158,560; 1969, $187,190,387	199,454,665	201,251,065
Store fixtures, at amortized cost	78,559,472	74,122,010
Property, equipment and fixtures—net	344,760,138	336,607,398
DEFERRED CHARGES	16,108,453	17,559,965
	$957,073,310	$911,795,631

See the accompanying Notes to the Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	Feb. 28, 1970	Feb. 22, 1969
CURRENT LIABILITIES:		
Accounts payable	$188,974,063	$172,692,097
Accrued accounts:		
United States and foreign income taxes	8,011,720	9,701,023
Other taxes, salaries, etc.	63,383,325	57,904,639
Current liabilities	260,369,108	240,297,759
DEFERRED INVESTMENT CREDIT, ETC.	15,087,800	16,472,624
DEFERRED INCOME TAXES	19,295,000	14,533,000
STOCKHOLDERS' EQUITY:		
Preferred stock—no par value; authorized 3,000,000 shares; issued, none		
Common stock—$1 par value; authorized 40,000,000 shares; issued 1970, 24,874,295 shares; 1969, 24,822,021 shares	24,874,295	24,822,021
Capital surplus	377,153,554	377,085,229
Retained earnings	260,293,553	238,584,998
Stockholders' equity	662,321,402	640,492,248
	$957,073,310	$911,795,631

Statement of Consolidated Income and Retained Earnings

FOR THE PERIODS ENDED FEBRUARY 28, 1970 AND FEBRUARY 22, 1969

	53 Weeks to Feb. 28, 1970	52 Weeks to Feb. 22, 1969
Sales	$5,753,691,955	$5,436,325,094
Cost of merchandise sold	4,622,312,050	4,383,200,733
Gross profit	1,131,379,905	1,053,124,361
Store operating, general and administrative expenses	1,029,069,154	964,688,298
Profit from operations	102,310,751	88,436,063
Other income—net	2,890,772	1,810,832
Income before income taxes	105,201,523	90,246,895
United States and foreign taxes and other charge:		
Income taxes:		
Current	46,286,000	38,331,000
Deferred and prepaid—net	6,065,000	5,174,000
Charge or (credit) equivalent to investment tax credit—net	(451,000)	1,495,000
Total	51,900,000	45,000,000
Net income—1970, $2.15 a share; 1969, $1.82 a share	53,301,523	45,246,895
Retained earnings at beginning of period	238,584,998	225,602,886
	291,886,521	270,849,781
Cash dividends—$1.30 a share	32,310,594	32,264,783
	259,575,927	238,584,998
Adjustment resulting from poolings of interests	717,626	—
Retained earnings at end of period	$ 260,293,553	$ 238,584,998

See the accompanying Notes to the Financial Statements.

Statement of Consolidated Source and Use of Funds

FOR THE PERIODS ENDED FEBRUARY 28, 1970 AND FEBRUARY 22, 1969

	(In Thousands of Dollars)	
FUNDS PROVIDED FROM:	53 Weeks to February 28, 1970	52 Weeks to February 22, 1969
Net income	$ 53,302	$ 45,247
Charges to income not requiring funds:		
Depreciation and amortization	50,464	50,648
Charge or (credit) equivalent to investment tax credit—net	(451)	1,495
Deferred and prepaid income taxes—net	6,065	5,174
Sales of property and miscellaneous	4,695	144
Total funds provided	114,075	102,708
FUNDS USED FOR:		
Cash dividends	32,311	32,265
Additions to property, equipment and fixtures	63,259	61,415
Miscellaneous	—	2,005
Total funds used	95,570	95,685
INCREASE IN WORKING CAPITAL	18,505	7,023
WORKING CAPITAL AT BEGINNING OF PERIOD	317,331	310,308
WORKING CAPITAL AT END OF PERIOD	$335,836	$317,331

See the accompanying Notes to the Financial Statements.

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 10004

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheet of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 28, 1970 and the related statements of consolidated income and retained earnings and of consolidated source and use of funds for the 53 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and retained earnings present fairly the financial position of the companies as of February 28, 1970 and the results of their operations for the 53 weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period; and the accompanying statement of consolidated source and use of funds presents fairly the information shown therein.

Haskins & Sells

May 1, 1970

Notes to Financial Statements

Acquisitions: During the year, the Company issued 52,274 shares of its common stock in exchange for the outstanding stock of companies in poolings of interests. Capital surplus was increased $68,325 by adjustments relating to the poolings.

Depreciation and Amortization: The cost of property, equipment and fixtures is recovered over estimated useful lives, generally on a straight-line basis.

Federal Income Taxes: The investment credit has been deferred and is being amortized over the estimated useful lives of the assets.

Deferred income taxes have been provided in recognition of timing differences in reporting certain items, primarily accelerated depreciation, for income tax and financial statement purposes.

Retirement Plans: Retirement benefits for substantially all full-time employees are provided under the terms of the companies' Retirement Plans or under the terms of company and union jointly administered plans. In December 1969, the United States Employees' Retirement Plan was amended to provide improved benefits. The expenses of the companies' Retirement Plans, which include interest on the unfunded prior service cost, are funded on a current basis. Expenses of all plans were $9,410,000 and $12,573,000 for the years ended in February 1970 and 1969, respectively.

Capital Stock: On June 17, 1969, stockholders approved an increase in the authorized common stock to 40,000,000 shares and a new class of 3,000,000 shares of preferred stock, without par value. The Board of Directors was authorized to issue such preferred stock from time to time in one or more series and to determine the terms and provisions with respect thereto.

Stock Options: Stock Option Plans approved by the stockholders on June 21, 1960 and June 17, 1969, provided that executives and other key employees may be granted options prior to April 1, 1979 to purchase stock of the Company at the fair market value of the stock on the date of the grant.

During the year, under the 1960 plan, options were granted for 22,700 shares for an aggregate purchase price of $624,250 and options for 31,384 shares were terminated.

At February 28, 1970, 834,086 shares of the Company's unissued common stock are reserved for issuance under the plans, of which 213,246 shares are available for immediate purchase and 83,560 shares are available for purchase at various dates after February 28, 1970 at an aggregate option price of $9,883,809. 537,280 shares have not been allotted and are available for future grants.

Long-Term Leases and Other Matters: Most operations of the companies are conducted in leased premises. There were approximately 4,800 leases in force on February 28, 1970 (exclusive of leases relating to premises where operations had not commenced, which are of the same type) that were, in general, for periods not exceeding ten years. The current annual rental of these premises is approximately $103,600,000.

Since February 28, 1970 the companies' modernization program has involved the customary substantial expenditures, made or to be made, for new store leases, equipment and inventories.

New Fronts, New Dimensions Improvement of the retail outlets continued unabated during 1969 with the erection of 99 new supermarkets, the remodeling of 530 existing stores and the construction or conversion of 149 supermarkets into a new food discount venture under the names of "A&P A-Mart" and "A&P Discount Foods." Pictured here are five stores involved in the 1969 store development program, including (top left) a major remodel in Yonkers, N. Y.; (top right) a new supermarket in Westland Shopping Center in Columbus, Ohio, showing a departure from the early American design that has been a major influence on store architecture in the past decade; (center left) a remodeled supermarket in Fort Myers, Fla., carrying the name "A&P Discount Foods"; (center right) A&P's northernmost store, situated in Kapuskasing, Ontario, 523 miles due north of Toronto and about 1000 miles south of the Arctic Circle, the latest addition to A&P's Canadian subsidiary company, and (lower right) a Queens, N. Y., store displaying the new logo designating this retail unit as part of the Company's experimental "A&P A-Mart" program.

"We pledge our energies to a continuation of a search for greater efficiency in supplying our customers with quality products at the lowest possible prices while providing a proper return to our shareholders." WE CARE